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**UNITED STATES BANKRUPTCY COURT
SOUTHERN DISTRICT OF NEW YORK**

-----X	
In re	: Chapter 11 Case No.
	:
LEHMAN BROTHERS HOLDINGS INC., et al.,	: 08-13555 (JMP)
	:
Debtors.	: (Jointly Administered)
-----X	

**PRELIMINARY REPLY IN SUPPORT OF APPLICATION OF THE AD HOC GROUP
OF LEHMAN BROTHERS CREDITORS FOR COMPENSATION FOR
PROFESSIONAL SERVICES RENDERED BY, AND REIMBURSEMENT OF
ACTUAL AND NECESSARY EXPENSES OF, ITS PROFESSIONALS
PURSUANT TO SECTION 503(B) OF THE BANKRUPTCY CODE**

TO THE HONORABLE JAMES M. PECK,
UNITED STATES BANKRUPTCY JUDGE:

The Ad Hoc Group of Lehman Brothers Creditors (the “Group”), by and through its undersigned counsel, hereby files this reply (the “Preliminary Reply”) in support of its Application for Compensation for Professional Services Rendered by, and Reimbursement of Actual and Necessary Expenses of, Its Professionals Pursuant to Section 503(b) of the Bankruptcy Code (the “Application”) [Docket No. 29195]. In further support of the Application and as and for its Preliminary Reply, the Group respectfully represents as follows:

PRELIMINARY REPLY

1. By the Application, dated July 3, 2012, the Group seeks reimbursement by the LBHI estate for certain fees and expenses incurred by the Group's professionals in the aggregate amount of approximately \$12.8 million.¹ The only parties to respond to the Application are the United States Trustee (the "UST"), by its objection to the Application (the "Objection") [Docket No. 29639], and the Creditors' Committee, by its response (the "Response") [Docket No. 29785] to the Application. Neither LBHI nor any party with an economic stake in the LBHI estate has filed an objection to the Application.

2. With respect to the legal fees and expenses of the Group's counsel, White & Case (the "Attorney Fees and Expenses"), the UST objected to the Application primarily on the bases that (i) the Application should be supplemented to provide time records and expense detail that comply with the Fee Guidelines (as defined in the Objection) to ensure a proper reasonableness review under section 330 of the Bankruptcy Code (see Objection ¶ 32) and (ii) the Group does not allocate which expenses it claims are related to the substantial contribution that it made in these Chapter 11 Cases (see Objection ¶ 33). With respect to the fees and expenses of the Group's financial advisor, AlixPartners, and consultant, Molinaro Advisors (collectively, the "Expert Fees and Expenses"), the UST objected on the grounds that section 503(b) provides for recovery of only the fees and expenses of the creditor's attorneys and accountants, not financial advisors and consultants. (Objection ¶¶ 34,38)

3. The Creditors' Committee acknowledges that the Group has made a "significant contribution to the success of these cases" and "played an integral role in formulating and garnering the necessary support for the Plan." (Response ¶ 5) By way of its Response, the Creditors' Committee merely suggested that the Fee Committee be enlisted to facilitate the

¹ Capitalized terms used but not defined herein shall have the meanings ascribed to them in the Application.

resolution of the issues raised in the UST's Objection.² Especially in light of the Group and the UST reaching a resolution of the UST's Objection (as described below), the Group submits that the Fee Committee's involvement is unnecessary at this time.

4. Following the filing of the Objection, the Group has diligently worked with the UST to resolve the Objection, including through numerous phone conversations and two in-person meetings with the UST. In partial resolution of the Objection, as it pertains to the allowance and reimbursement of the Attorney Fees and Expenses, the Group has agreed to reduce voluntarily the aggregate amount by \$455,837.92, and to remove an additional \$115,000.00 from the aggregate amount without prejudice to the Group seeking reimbursement of this amount in connection with its application for the Expert Fees and Expenses; provided, however, that such reductions are contingent on the full resolution of the UST's Objection with respect to the Attorney Fees and Expenses and the absence of any additional Fee Committee review.

5. With respect to Group's application for reimbursement of the Expert Fees and Expenses, the Group agrees to adjourn the hearing on that portion of the Application and continue to work in good faith with the UST to resolve its objections. The Group reserves the right to reply to the Objection as it relates to the Expert Fees and Expenses.

² Through a position statement on the pending section 503(b) applications (the "Statement") [Docket No. 30124], the Fee Committee expressed that it would accept a defined assignment from the Court. (Statement at 1)

CONCLUSION

WHEREFORE, for the foregoing reasons, the Objection to the Application should be overruled as it relates to the Attorney Fees and Expenses, and the Court should grant the Group the related relief requested in the Application.

Dated: September 17, 2012
New York, New York

Respectfully submitted,
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By: /s/ J. Christopher Shore
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